

**COMMENTS OF THE
CALIFORNIA MUNICIPAL UTILITIES ASSOCIATION ON THE
33% RENEWABLE ENERGY REPORT PREPARED FOR THE
CALIFORNIA PUBLIC UTILITIES COMMISSION**

The California Municipal Utilities Association (“CMUA”) hereby submits the following comments to the report (“Report”) entitled “Achieving a 33% Renewable Energy Target” that was prepared for the California Public Utilities Commission (“CPUC” or “Commission”) on November 1, 2005.

It is unknown whether a 33% target will provide a net-benefit to California

The Report calculates the “overall cost impact of a 33 percent RPS and its effects on the average rates of the three largest California investor owned utilities.”¹ Regardless of whether this calculation is correct or not, it is not synonymous to an evaluation of the “statewide impact” which would necessarily include studying the impact on publicly owned utilities (“POUs”), electric service providers (“ESPs”), community choice aggregators (“CCAs”), small electrical corporations, and all Californians. CMUA is aware of unpublished consultant analyses provided to the California Energy Commission (“CEC”) suggesting that the 33% target could cause a net societal loss to California. In light of the enormous cost to Californians resulting from the largely failed experiment of Assembly Bill 1890, the Commission should proceed in an unbiased and analytical manner while refraining from adopting goals merely to stake a claim of being the “most aggressive state in the nation.”

The POUs are not barriers to achieving socially beneficial renewable energy targets

The Report offers a list of barriers to achieving a statewide renewable energy goal of 33% that was “identified by RPS stakeholders,” i.e., the state’s investor owned utilities (“IOUs”).² Apparently, based upon the unsupported statements of these regulated monopoly utilities, the Report suggests that new legislation is required because not having enforced RPS targets on POUs is “clearly [one of the] barriers to achieving California’s 20 percent renewable energy goal by 2010, much less a more aggressive 33 percent target by 2020.”³ CMUA disagrees and offers facts that controvert conclusions that POUs are barriers or that legislation is needed to enforce specific RPS targets on these self-governing utilities.

The comprehensive legislative scheme for statewide renewable goals includes Public Utilities Code § 399.11 for the IOUs and § 387 for the POUs. Section 387 provides that POUs “shall be responsible for *implementing and enforcing* a renewables portfolio standard that recognizes the intent of the Legislature to encourage renewable

¹ Report at 93.

² Report at 34.

³ *Id.*

resources . . .” (emphasis added). Section 387 also places an additional requirement on POUs such that they “shall be responsible . . . for taking into consideration the effect of the standard on rates, reliability, and financial resources and the goal of environmental improvement.” Therefore, each POU *is mandated* to consider *all* of these factors in setting targets and timelines for its RPS. Sections 399.11 and 387 are parallel provisions adopted by the Legislature to set targets and goals for IOUs and POUs while recognizing the fundamental differences in governance and service territories of the various utilities.

The Commission should note that several POUs *currently* have resource portfolios that exceed the 20% level. According to an informal study conducted by CMUA, these POUs have the following percentages of renewable resources that are “eligible” under Public Utilities Code § 399.12: Alameda – 55%; Healdsburg – 53%; Lodi – 27%; Lompoc – 36%; Shasta Lake – 35%; Santa Clara – 24%; and Ukiah – 50%. Many other POUs are actively adding “eligible” renewables to their resource portfolios and expect to meet or exceed a 20% level by 2010.⁴ Virtually all POUs are planning to add “eligible” renewables to their resource portfolios as new resources are needed. When measured collectively, the POUs are contributing to the statewide renewable goals in conformance with the Legislature’s intent, and particularly in regard to the goal of environmental improvement. At the same time, it is important to note that the POUs have remained resource adequate throughout the energy crisis and into the present.

The Report should also clarify that there is not, in fact, any enforcement mechanism to reach the IOU goals. Public Utilities Code § 399.11 states:

“In order to attain *a target of 20 percent* renewable energy for the State of California and for the purposes of increasing the diversity, reliability, public health and environmental benefits of the energy mix, it is the intent of the Legislature that the [CPUC] and the [CEC] implement the California Renewables Portfolio Standard Program described in this article.”⁵ (emphasis added)

The Public Utilities Code further states that the IOUs do not have to meet the target if it would require an investment for above market costs which exceeds the amount of their public benefits charges that are currently allocated to renewable energy.⁶

A comprehensive CEC consultant report confirms aggressive POU goals

Footnote 159 in the 2005 Integrated Energy Policy Report adopted by the CEC on November 21, 2005, cites a CEC-sponsored consultant report entitled *Publicly Owned*

⁴ Two important examples of large POUs that will exceed 20% *before* 2010 are the City of Redding and the Imperial Irrigation District (“IID”). The Los Angeles Department of Water and Power (“LADWP”) has also set new goals that are extremely aggressive and together with IID, is participating in the Green Path transmission project to deliver renewable energy from resources in the Imperial Valley. This project, costing many hundreds of millions of dollars, has an expected in-service date of 2010.

⁵ Pub. Util. Code § 399.11(a).

⁶ See Pub. Util. Code § 399.15.

Electric Utilities and the California Renewables Portfolio Standard: A Summary of Data Collection Activities (November 2005). Listed below are relevant quotes taken from this consultant report.

- POU [renewable energy] targets are, on average, more aggressive than those of the IOUs. (pp. 13, 14)
- Information collected in earlier sections suggests that many POUs are proactively pursuing renewable energy goals that are reasonably consistent with, if not even more aggressive than, the state's overall 20 percent target. (p. 23)
- Nonetheless, contrary to popular belief, the underlying conclusion [is] that the POUs as a whole have been somewhat more aggressive with their renewable energy contracting in recent years than have the state's IOUs, on average. (p. 20)
- With these important caveats in mind, one conclusion is in order: self-established POU renewable energy targets do not appear to be grossly out of line with, or substantially more lenient than, the 20-percent-by-2010 target applied to the state's IOUs. In fact, though the POU targets are not truly comparable to the enforced RPS as applied to the IOUs, the above analysis suggests that the POUs' internal targets are (on average) more aggressive than those of the IOUs in terms of incremental renewable energy needs in percentage terms. (p.15)
- It is important to recognize that a key finding of this paper is that California's POUs appear to be taking more aggressive actions (at least so far) than is commonly assumed. (p. 23)

In conclusion, CMUA urges the Commission to reject "the common assumptions" about POU commitments to procuring new renewable resources and reflect a more accurate picture of both the legislative requirements and the actual accomplishments.

Respectfully submitted,

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